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TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **CHICANA SERVICE ACTION CENTER, INC. CONTRACT -
WORKFORCE INVESTMENT ACT PROGRAMS**

We have conducted a program, fiscal and administrative contract review of Chicana Service Action Center, Inc. (Chicana or Agency), a Workforce Investment Act (WIA) service provider.

Background

The Department of Community and Senior Services (DCSS) contracts with Chicana, a private non-profit organization, to provide and operate the WIA adult and dislocated worker programs. The WIA adult and dislocated worker programs assist individuals obtain employment, retain their jobs and increase their earnings. Chicana's office is located in the First District.

Chicana is compensated on a cost reimbursement basis. Chicana's contract was for \$526,566 for Fiscal Year 2005-2006.

Purpose/Methodology

The purpose of the review was to determine whether Chicana has complied with its contract terms and appropriately accounted for and spent WIA funds in providing services to eligible participants. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State, and County guidelines.

"To Enrich Lives Through Effective and Caring Service"

Results of Review

Chicana did not complete Individual Employment Plans (IEPs) for all 20 of the Adult and Dislocated Worker participants in accordance with WIA guidelines. The IEP is an on-going plan, jointly developed by the participant and the case manager that identifies the participant's employment goals, achievement objectives and the services needed to achieve their employment goals.

In addition, Chicana spent \$44,062 in WIA funding to purchase office furniture without following the provisions of the County contract. The County contract requires that all fixed assets purchased with WIA funds be used solely for the benefit of the contract. Only those expenditures that are necessary, proper and reasonable to carry out the purposes and activities of the program are allowable. Chicana management needs to obtain approval from DCSS that the furniture purchases were necessary and reasonable to carry out the purposes and activities of the program. If DCSS does not approve the purchases, Chicana management needs to repay DCSS \$44,062.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with Chicana on September 28, 2006. During our meeting, Chicana concurred with our findings and recommendations. We have contacted Chicana on numerous occasions during the past few months to request they provide a corrective action plan. However, as of January 24, 2007, Chicana has not submitted a plan on how they will implement the recommendations addressed in our report. We will work with DCSS to ensure Chicana provides a corrective action plan.

We notified DCSS of the results of our review. We will follow up our recommendations during next year's monitoring review. We thank Chicana for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
Cynthia Banks, Director, Department of Community and Senior Services
Sophia Esparza, Chief Executive Officer, Chicana Service Action Center, Inc.
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
CHICANA SERVICE ACTION CENTER, INC.
FISCAL YEAR 2005-06**

ELIGIBILITY

Objective

Determine whether the Chicana Service Action Center, Inc. (Chicana or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We sampled 20 (38%) program participants (10 from the adult program and 10 from the dislocated worker program) from a total of 53 participants that received services between July 2005 and April 2006. We reviewed the participants' case files to confirm their eligibility for WIA program services.

Results

Chicana maintained appropriate documentation to support the participants' eligibility to receive program services for all 20 participants.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 20 (38%) program participants that received services during July 2005 through April 2006. We also interviewed two of the program participants to confirm the services Chicana billed to DCSS were provided. We were unable to contact the remaining 18 participants.

Results

The two participants interviewed stated that the services the participants received met their expectations. The case files of the remaining 18 participants contained documentation to support the services billed to DCSS. However, Chicana did not complete the Individual Employment Plans (IEPs) for all 20 of the Adult and Dislocated Worker participants in accordance with WIA guidelines. The IEP is an on-going plan, jointly developed by the participant and the case manager that identifies the participant's employment goals, achievement objectives and the services needed to achieve their employment goals.

Recommendation

1. **Chicana management ensure that staff complete the IEP for Adult and Dislocated Worker participants.**

CASH/REVENUE**Objective**

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's December 2005 bank reconciliation.

Results

Chicana properly recorded their cash and revenue by funding sources in their accounting records. However, Chicana did not prepare the bank reconciliation within 30 days of the bank statement date as required. As of May 26, 2006, Chicana's most recent bank reconciliation was for December 2005.

Recommendation

2. **Chicana management ensure that bank reconciliations are prepared within 30 days of the bank statement date.**

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and other documentation to support 29 (30%) of the 96 non-payroll expenditures transactions, totaling \$23,646 billed by the Agency for December 2005.

Results

Chicana's expenditures were allowable, accurately billed to DCSS, and supported by documentation as required.

Recommendation

There are no recommendations for this section.

INTERNAL CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, Chicana maintained adequate internal controls over its business operations. However, Chicana can strengthen their internal controls and contract compliance in the following areas:

- The Agency's procurement policies and procedures did not require staff to document three verbal price quotes for purchases over \$1,000 or obtain three bids in writing for purchases over \$5,000 as required by WIA guidelines.

- Chicana's accounting policies and procedures did not require that two signatures be obtained on all checks as required by the County contract.
- Chicana did not conduct a fair market assessment for the facility it currently leases. Although the lease cost is reasonable, federal guidelines require that a cost or price analysis be performed to determine the reasonableness of the lease payments.

Subsequent to our review, Chicana revised the accounting policies and procedures to require two signatures be obtained on all checks as required by the County contract. Chicana also revised the procurement policies and procedures to require staff to document three verbal quotes for purchases over \$1,000. However, the revised procurement policies and procedures did not require three bids in writing for purchases over \$5,000.

Recommendations

Chicana management:

3. **Ensure that the Agency's procurement policies and procedures manuals are in compliance with regulatory guidelines.**
4. **Ensure that staff conduct cost or price analysis for lease transactions as required by federal and WIA guidelines.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Chicana's fixed assets and equipment purchases made with WIA funds are used for the WIA programs and are safeguarded.

Verification

We conducted a physical inventory of twenty WIA funded items, totaling \$72,226.

Results

Chicana spent about \$44,000 in WIA funding to purchase office furniture without following WIA guidelines and the provision of the County contract. Chicana purchased a three-piece curio for \$9,633, two buffet tables at \$5,052 each, four fire place mantels at \$2,710 each, a sofa for \$3,565, two ottomans at \$1,440 each, and two sofa chairs at \$3,520 each. According to Agency personnel, the furniture was purchased to impress the community business owners who visit their facility in hope of securing job opportunities for some of the program participants.

However, Chicana did not follow WIA guidelines in purchasing the office furniture and may need to return the funding used to purchase the items. Specifically, Chicana did not:

- Obtain approval from the County to purchase the furniture.
- Provide DCSS with a justification for the purchases.
- Obtain at least three acceptable bids secured through an open-competitive selection process as required by the County contract and WIA guidelines.

Chicana indicated that DCSS approved the fixed asset purchases by approving Chicana's budget, which included fixed asset purchases. However, WIA guidelines require that a separate request to purchase equipment must be submitted for approval by the Agency at the time of purchase and that the approval of the budget plan does not constitute approval of the equipment request. According to DCSS personnel, Chicana did not submit a separate request to purchase office furniture. If the request was not submitted and as such, not approved, and property was charged to the program, the costs may be disallowed.

The County contract requires that all fixed assets purchased with WIA funds be used solely for the benefit of the contract. Only those expenditures that are necessary, proper and reasonable to carry out the purposes and activities of the program are allowable. Chicana management needs to obtain approval from DCSS that the furniture purchases were necessary and reasonable to carry out the purposes and activities of the program. If DCSS does not approve the purchase, Chicana management needs to repay DCSS \$44,062.

Recommendations

Chicana management:

- 5. Obtain approval from DCSS that the furniture purchases were necessary and reasonable to carry out the purposes and activities of the program. If DCSS does not approve the purchases, Chicana management repay DCSS \$44,062.**
- 6. Ensure that prior approval is obtained from DCSS for purchases over \$5,000 as required.**
- 7. Ensure that expenditures are necessary, proper and reasonable to carry out the purposes and activities of the program.**
- 8. Ensure that staff obtain at least three acceptable bids secured through an open-competitive selection process as required by the County contract and WIA guidelines.**

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced and agreed payroll expenditures for 11 employees in December 2005, totaling \$10,513 (100%) to the payroll records and time reports. We also interviewed one employee and reviewed the personnel files for five employees assigned to the WIA program.

Results

Chicana appropriately charged payroll expenses to the WIA programs. However, Chicana did not maintain copies of the employees' current performance evaluations in all five (100%) personnel files. In addition, Chicana did not maintain copies of the employees' valid driver's licenses or proof of car insurance for two (40%) of the five personnel files.

Subsequent to our review, Chicana provided copies of the employees' valid driver's license and proof of insurance for the two employees.

Recommendations

Chicana management:

- 9. Ensure that annual performance evaluations are completed.**
- 10. Ensure that required documentation is maintained in the personnel files.**

COST ALLOCATION PLAN

Objective

Determine whether Chicana's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed Chicana's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency during December 2005 to ensure that the expenditures were properly allocated to the Agency's appropriate programs.

Results

Chicana's Cost Allocation Plan was prepared in compliance with the County contract requirements and costs were appropriately allocated.

Recommendation

There are no recommendations for this section.